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New York  
Proxies and Sources  
Hospitals

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ITEM	PROXY
Operation and Maintenance of Plant	
Maintenance & Repairs	Maintenance & Repairs (CPI)
• #2 Fuel oil	Price, Tank Car Reseller, NYC & Albany
• #6 Fuel oil	Price, Tank Car Reseller, NYC & Albany
• Natural Gas	NYSDEPS data for Brooklyn Union, Central Hudson, Columbia Gas, Con-Ed, L.I., Lighting, National Fuel Dist., Niagara Mohawk, NYS Electric & Gas, Orange & Rockland, Rochester Gas & Electric
• Purchased Steam	NYSDOH Price Index for Con-Ed purchased steam
• Electric Power	NYSDEPS price index for Con-Ed, L.I., Lighting, Orange & Rockland, Central Hudson, NYS Electric & Gas, Niagara Mohawk, Rochester Gas & Electric
• Water and Sewer	Water and Sewerage Maintenance (CPI)
• Waste Disposal	Refuse Collection (CPI)
• Laundry and Linen	Laundry and Dry Cleaning Other than Coin Operator (CPI)
• Housekeeping	1. Soap and Synthetic Detergents - 40% (PPI) 2. Unsupported Plastic Film and Sheetting - 30% (PPI) 3. Sanitary Papers and Health Products - 30% (PPI)
• Security	ECI-Private Industry Worker-Compensation - Service Occupation 1/

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Date

APR 6 2000

JAN 1 1998

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ITEM	PROXY
Professional Services	
• Maintenance & Repairs	Equipment/ECI-Private Industry Workers-Compensation-Service Industry 1/
• Drugs	1. Preparations, Ethical (Prescription) (PPI) - 72.0% 2. Preparation, Prop. (over the Counter) (PPI) - 5.0% 3. Prescription Drugs (CPI) - 23.0%
• Medical Supplies	1. Medical Instruments and Apparatus - 45% (PPI) 2. Surgical Appliances and Supplies - 55% (PPI)
• Non-Medical Supplies	1. Office Supplies & Accessories (PPI) - 40% 2. Office Machines NEC - 12.5% (PPI) 3. Writing and Printing Papers - 20% (PPI) 4. Pens, Pencils and Marking Devices - 12.5% (PPI) 5. Classified Advertising - 7.5% (PPI) 6. Periodicals, Circulation - 7.5% (PPI)
• Physicians Fees	Physicians' Services (CPI) 4/
• Other Medical Professional	ECI-Compensation-Civilian-Professional Specialty and Technical 1/
• X-Ray Film	Change in manufacturer's list prices
• Reagents	Reagents (PPI)
• Blood	NYSDOH price index of 5 blood products
• Travel and Conferences	Private Transportation (CPI)
• Employment Agency Fees- Nursing	ECI-Private Industry Workers-Compensation-Professional Specialty and Technical 1/
• Employment Fees	ECI - Civilian - Compensation - Clerical 1/

1/Includes Regional Adjustment Factor

2/Includes Regional Adjustment Factor and Compensation Factor

3/Excludes Regional Adjustment Factor

4/Includes Regional Adjustment Factor and Excludes Compensation Factor

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APPENDIX II

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PHASE I HOSPITALS

Albany Medical Center  
Auburn Memorial  
Beth Israel Medical Center  
Bronx-Lebanon  
City Hospital at Elmhurst  
Community Hospital Western Suffolk  
Cortland Memorial  
Ellis Hospital  
Erie County Medical Center  
Long Beach Memorial  
Maimonides  
Mercy Hospital, Rockville  
Metropolitan Hospital  
Nassau County Medical Center  
Niagara Falls Memorial  
St. Joseph's, Yonkers  
St. Luke's Roosevelt  
St. Vincent's, NYC  
St. Vincent's, Richmond  
Southside Hospital  
State University-Upstate  
Strong Memorial  
Summit Park  
SUNY Stony Brook  
United Health Services  
Westchester County MC  
Women's Christian  
Woodhull

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PHASE II HOSPITALS

Bayley Seton Hospital  
Buffalo General Hospital  
Cabrini Medical Center  
Central General Hospital  
Champlian Valley Hospital  
Clifton Springs Hospital  
Coney Island Hospital  
Eastern Long Island Hospital  
Franklin General Hospital  
Genesee Hospital  
Glens Falls Hospital  
Good Samaritan Hospital of Suffern  
Harlem Hospital  
Mary Imogene Bassett  
Montefiore Medical Center  
North Central Bronx Hospital  
Presbyterian Hospital  
Queens Hospital  
Samaritan Hospital  
Saratoga Hospital  
St. Barnabas Hospital  
St. Francis Hospital  
St. James Mercy Hospital  
St. Mary's Hospital  
St. Vincent's Hospital-Westchester

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METHODS AND STANDARDS OF SETTING PAYMENT RATES FOR  
INPATIENT SERVICES PROVIDED BY HOSPITALS  
OPERATED BY THE NEW YORK STATE OFFICE OF MENTAL HEALTH

In accordance with the Mental Hygiene Law the Office of Mental Health (OMH) establishes Medicaid inpatient rates of reimbursement, subject to the approval of the Director of the State Division of the Budget, for the psychiatric hospitals it operates.

I. GENERAL

A separate rate is established for each of the following two classifications of facilities:

(1) Psychiatric Centers

This rate category includes all inpatient units located at OMH Medicare/Medicaid certified Psychiatric Centers including Alcoholism Treatment Centers operated by the Division of Alcoholism and Alcohol Abuse.

(2) Children's Psychiatric Centers

This rate category applies to those separate and distinct Children's Psychiatric Centers ("CPCs") operated by the OMH. The CPC's provide psychiatric care and treatment exclusively to children and adolescents.

Medicaid inpatient rates for each rate category are established prospectively on a statewide basis by averaging together each of the per diem rate components outlined below for all Medicaid certified facilities.

II. BASE YEAR OPERATING PER DIEM

The operating per diem of the inpatient Medicaid rates is developed by averaging together the following:

A. For Medicare Certified Psychiatric Centers

The Medicare (Title XVIII) per diem payment rates resulting from the final settlement of OMH's Medicare cost reports covering fiscal year ended March 31, 1991 [1988]. Medicare final settlements are issued by OMH's Medicare Fiscal Intermediary following their review and audit of the Medicare cost reports submitted by OMH for each of the Medicare participating providers it operates. For purposes of Medicare reimbursement OMH Psychiatric Hospitals are treated as PPS exempt providers with payment

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rates developed in accordance with 42 CFR section 413.40.

B. For Childrens Psychiatric Centers

Since the Childrens Psychiatric Centers are not Medicare participating providers, the base inpatient per diem for these facilities shall be determined based on their average inpatient cost per day for the base year. The base year to be utilized shall be the same fiscal year as that used for the Medicare participating psychiatric centers as outlined under paragraph II.A. above.

The inpatient cost per day for the Childrens Psychiatric Centers shall be determined in accordance with the cost reporting and costfinding methods developed by the Hospital industry as adopted by the Medicare (Title XVIII) and Medicaid (Title XIX) Programs. In determining those items of cost that shall be determined to be allowable, Medicaid (Title XIX) laws, rules and regulations shall be applied in accordance with paragraph III.A. below.

C. Exclusion of Capital Cost

In developing the statewide average base year operating per diem for each rate category, capital costs shall be eliminated from the amounts included in the per diems described above under paragraphs II.A. and II.B. For purposes of this section capital costs shall be determined in accordance with the Medicare (Title XVIII) principles of reimbursement and accordingly will include depreciation on

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capital assets and interest expense on indebtedness incurred to construct or purchase capital assets.

## III. ADJUSTMENTS FOR MEDICAID PURPOSES

In determining the allowable base year operating per diem outlined under paragraph II above adjustments shall be made to reflect the following:

### A. Differences in Medicare vs. Medicaid Covered Services

The final Medicare inpatient payment rates as referenced under paragraph II.A. above shall be adjusted to exclude the costs of any services included therein which have been determined to be non-reimbursable under the Medicaid Program (i.e. patient education programs). In addition the costs associated with any services covered under New York State's Medicaid Program but not reimbursable under the Medicare program (e.g. dental services) shall be added to the final Medicare payment rates.

### B. Other Allowable Costs

The base year per diem operating component developed in accordance with paragraph II above shall be adjusted to include other costs allowed under the Medicare principles of reimbursement but not claimed in the individual facility Medicare cost reports for the base year as referenced under paragraph II.A. above. This adjustment shall include costs related to services which have historically been included in the calculation of the OMH statewide inpatient Medicaid payment rates and found to be reimbursable by the Health Care Financing Administration.

## IV. TREND FACTOR

A trend factor shall be utilized in order to project the base year operating per diems as developed under paragraph II above to the applicable rate year. This trend factor will be developed by compounding the applicable Medicare target rate percentages for each year between the

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base year and the rate year. For purposes of this section the Medicare target rate percentages to be used will be those published by the Federal Health Care Financing Administration (HCFA) pursuant to 42 CFR section 413.40 for hospitals and units of hospitals which are exempt from the Medicare Prospective Payment System (PPS).

V. ACCREDITATION ADJUSTMENT

A per diem adjustment shall be incorporated in the inpatient Medicaid rates for OMH facilities to account for additional costs incurred subsequent to the base year used to develop the operating per diem pursuant to paragraph II above in order to meet minimum Medicaid and Medicare facility accreditation requirements. In addition, this adjustment may include additional accreditation costs expected to be incurred during the year for which the payment rates are being computed. For purposes of determining expected accreditation costs to be incurred during the rate year the Governor's Executive Budget submission to the legislature shall be utilized.

VI. CAPITAL-RELATED COSTS

The inpatient Medicaid payment rates for OMH facilities shall include an allowance for depreciation and interest expense on buildings and equipment. Depreciation expense shall be computed utilizing the straight line method. Useful lives of depreciable assets shall be applied based upon the guidelines promulgated by the American Hospital Association. The capital component of the rates shall be computed on a current basis. Accordingly the rates will reflect a projection of capital costs and patient days applicable to the rate year. A per diem adjustment shall be included in subsequent years rates to reflect any differences between projected and actual costs and patient days used in the calculation of the rate year capital per diem.

VII. VOLUME ADJUSTMENT

A per diem adjustment will be incorporated in the inpatient Medicaid rates for OMH facilities to account for

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significant changes in costs due to significant changes in the number of patient days. The adjustment will be made only if the change in total inpatient days between the base year and the rate year exceeds two percent (2%). In calculating the rate adjustment, it will be recognized that all the facility's capital costs are fixed. Operating costs will be considered eighty percent (80%) fixed and twenty percent (20%) variable. Under this formula if days increase more than two percent (2%), the rate for the applicable rate category will be reduced to allow only twenty percent (20%) of the operating per diem for the additional days. Alternatively, if days decrease over two percent (2%), the rate for the applicable rate category will be increased to allow eighty percent (80%) of the operating per diem for the lost days to be spread over the actual days for the rate period.

An estimated volume adjustment will be calculated and included in the rate calculation. The estimated volume adjustment will be calculated based upon the projected patient days for the upcoming rate year vs. the actual patient days for the base year used to calculate the rates. Following the close of the rate year a comparison would be made between the projected days used in calculating the estimated volume adjustment and the actual days incurred for the rate year. The volume adjustment will then be recalculated to reflect the actual days for the rate year. The difference, if any, between the estimated volume adjustment and the final actual volume adjustment will be included as a retroactive adjustment in the rate for the following year.

VIII. REDUCED PAYMENT FOR INAPPROPRIATE LEVEL OF CARE

If it is determined by a utilization review committee that a Medicaid recipient no longer requires psychiatric hospital services but must remain in the hospital because a medically necessary skilled nursing facility or intermediate care facility bed is not available in the community ("alternate care day") and it is determined that the statewide rate of occupancy

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